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23 August 1965

MEMORANDUM FOR THE RECORD

SUBJECT: Cost-of-Living Adjustments under P.L. 88-643

1. In the absence of Mr. Andrew Ruddock, met with Mr. Charles Overend and Mr. Richard Cody, Civil Service Commission, to obtain their views and suggestions on the impact of current legislation in this field vis-a-vis P.L. 88-643. Mr. Overend at first said that the base year for cost-of-living adjustments, 1964, set forth in P.L. 88-643 was appropriate. However, I refreshed his mind on the fact that the CIAR system involved participants who had served a considerable career under the Civil Service Retirement System and that the intent of our retirement legislation was to incorporate the provisions of the Civil Service Retirement System, the only difference being a step-up in annuity computations and a shortening of time and service requirements akin to similar provisions found in the Civil Service Retirement Act for law enforcement personnel. At this juncture, both Mr. Overend and Mr. Cody agreed that 1962 was the proper base and that it, rather than 1964, should have been used. Mr. Cody, who apparently had reviewed our legislation from the technical point, said that in all probability he had slipped up on this point.

2. Mr. Cody also agreed that the base period to be used for subsequent cost-of-living increases was not clear in P.L. 88-643 and that again a technical error apparently had crept into its draft and that he had not caught it in his review. Mr. Cody strongly recommended that we seek remedial legislation to properly define the base periods from which cost-of-living increases are to be calculated.

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3. We then discussed the recently enacted cost-of-living adjustment for military personnel in H.R. 9075.

4. In discussing H.R. 8469, which has passed the House and is before the full Senate Committee, it was pointed out that the Administration still strongly opposes the increase in survivor annuities. However, they felt that the stepped up system for cost-of-living adjustments, as well as the flat annuity bonuses, would be enacted. Assuming passage of the bill in August, this would mean that a considerable increase for retirees whose annuities commence by 1 November 1965, would be involved and that it would in all probability induce a large number of eligible employees to submit their voluntary resignations. The impetus is the fact that annuities commencing before 1 November 1965 will be increased approximately 6 per cent, while those commencing thereafter under the proposed bill would not receive any increase until an additional 3 per cent rise in cost of living had been sustained pursuant to the new requirements of the bill. Again, they saw no reason why we should not attempt to obtain legislation which conforms to H.R. 8469.

5. Messrs. Overend and Cody said they would be most happy to review any proposed legislation we might prepare on this subject and give us their advice and comments.

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